

Message Text

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22

ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-07 ISO-00 AGR-05 COME-00

STR-04 TRSE-00 /042 W

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R 091033Z APR 76

FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 4960
INFO AMEMBASSY MANILA
AMEMBASSY LONDON
AMCNSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 3042

E.O.11652: N/A

TAGS: EAGR, ETRD, BR

SUBJECT: SUGAR--CONTRACT WITH PHILIPPINES

1. COUNSELOR PAULO DRYCEU PINHEIRO, CHIEF OF THE FOREIGN MINISTRY'S BASIC PRODUCTS DIVISION, INFORMED EMBOFF ON APRIL 7 THA THE GOB IS "CURIOUS AND ANXIOUS" ABOUT A REPORTED NEW-STYLE SUGAR CONTRACT BETWEEN US COMPANIES AND THE PHILIPPINES. PINHEIRO SAID THE BRAZILIAN EMBASSY IN WASHINGTON HAS REPORTED THAT TWO US COMPANIES, SUCREST AND GREAT WESTERN, HAVE NEGOTIATED "CONTRACTS OF PARTICIPATION" WITH THE PHILIPPINES FOR 1.1 MILLION TONS OF SUGAR PER YEAR FOR FIVE YEARS. PINHEIRO SAID THE UNIQUE-NESS OF THE CONTRACT WAS THAT PRICES PAID WOULD VARY ACCORDING TO SUGAR PRICE FLUCTUATIONS IN THE US DOMESTIC MARKET. PINHEIRO CHARACTERIZED THIS AS A "VERY INTELLIGENT" MOVE BY THE US COMPANIES. BUT IF THE PATTERN OF "MINI-SUGAR AGREEMENTS" WERE TO TAKE OVER THE US IMPORT MARKET, PINHEIRO SAID, THE NEED FOR AN INERNATIONAL SUGAR AGREEMENT WOULD "DWINDLE" AND WE WOULD "RETURN TO A TURN-OFF-THE CENTURY WORLD COMMODITY TRADING SYSTEM."

2. PINHEIRO ASKED TO WHAT EXTENT, IF ANY, THE USG WAS
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INVOLVED IN THESE CONTRACTS. PINHEIRO SAID PERSONALLY HE

WAS UNAWARE OF ANY USG INVOLVEMENT.

3. PINHEIRO SAID THE GOB HAS NOT YET DISCUSSED THE SUBJECT
OF THE CONTRACTS WITH THE PHILIPPINE GOVERNMENT.

4. ACTION REQUESTED. EMBASSY WOULD APPRECIATE ANY
APPROPRIATE INFORMATION IT COULD PROVIDE THE FOREIGN
MINISTRY ON THIS SUBJECT.
CRIMMINS

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, CONTRACTS, FOREIGN TRADE, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BRASIL03042
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760134-1108
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760480/aaaacpty.tel
Line Count: 70
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 12 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 MAY 2004 by BoyleJA>; APPROVED <10 SEP 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SUGAR--CONTRACT WITH PHILIPPINES
TAGS: EAGR, ETRD, BR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006